



## BURLINGTON EMPLOYEES' RETIREMENT SYSTEM

Robert Hooper  
Chairman of the Board  
Munir Kasti  
Vice-Chairman

**\*\*Special Meeting\*\***  
Retirement Board Meeting Agenda  
City Hall Conference Room 12  
April 29, 2019 8:30am – 11:30am Time Certain

Stephanie Hanker  
Retirement Administrator  
802-865-7097  
VT Relay – dial 711

1. Agenda
2. Public Forum
3. Approve Minutes –February 11, 2019
4. Approval of Retirement Applications
5. Ratify Refunds and Rollovers
6. Approve Retirement Office Bills
7. Review and Discuss Draft Valuation - H&H Present
8. Review and Discuss Updated Experience Study and Rate of Return –  
  
ACTION ITEM
9. Discussion of RFP for Outsourcing of Retirement Administration
10. Discussion of RFP for Contractual Commitments
11. Schedule Next Meeting of the Retirement Board
12. Other Business
13. Adjourn

### Non-Discrimination

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Draft  
February 11, 2019  
Burlington Employees' Retirement Board  
City Hall, Conference Room 12

Board Members Present:

- Ben O'Brien (Via Phone)
- Beth Anderson
- Robert Hooper
- Pat Robins
- Dan Gilligan
- Munir Kasti

Others Present:

- Stephanie Hanker
- Kim Sturtevant (9:23 enter)
- Jim Strouse (Phone)
- Rich Goodwin
- Barry Bryant

Called to order at 9:21am.

1. **Agenda:**

No changes to presented agenda

2. **Public Forum:**

No Public Present

3. **Approve Minutes – January 15, 2019**

Pat Robins moved to approve the minutes as presented. Dan Gilligan 2<sup>nd</sup>.  
Motion carries. 6-0

4. **Approval of Retirement Application:**

Munir Kasti moved to approve presented applications. Daniel Gilligan 2<sup>nd</sup>.  
Motion carries 6:0

5. **Approve 2019 Cost of Living Increase for Retirees:**

Bob Hooper recommended the implementation of a 2.9% increase for the 2019 cost of living or the maximum allowed under members that have a cap on cost of living increases effective 01/01/2019. Daniel Gilligan moved to approve moved to approve 2.9% or 2.75% cost of living increases as allowed under members CB agreements effective 01/01/2019. Pat Robins 2<sup>nd</sup>.  
Motion carries 6:0

**6. Presentation – Performance Review – Dahab Associates:**

Barry Bryant presented the board with fund performance review for Qtr 4 (December 2018). Barry Bryant stated during the fourth quarter, the portfolio lost 9.2%, which was 0.2% greater than the Burlington Policy Index's return of -9.4% and ranked in the 76<sup>th</sup> percentile of the Public Fund universe. Over the trailing year, the portfolio returned -5.1%, which is 0.1% less than the benchmarks -5.0% performance, and ranked in the 69<sup>th</sup> percentile.

**7. Presentation –Core Fixed Income Manager Search:**

Barry Bryant presented the Board with a Core Fixed Income Manager Search February 2019. 46 responses were received for the RFP. 26 were eliminated because they were not beating the Bloomberg Barclays Aggregate Index in 2008, which demonstrates an ability to protect on the downside during extreme market stress. 9 were eliminated because their strategy did not have a 2008 track record. Therefore, Dahab was unable to verify their ability to protect on the downside during extreme market stress. 4 were eliminated because they were not beating the Bloomberg Barclays Aggregate Index on either a three-year or five-year annualized basis net of fees. 1 manager, PIMCO, was eliminated because they submitted a core plus strategy. 3 managers, Commerce Trust, New Century and WEDGE, were eliminated due to qualitative factors including holding below investment grade securities in their portfolios. This left 3 remaining respondents for consideration:  
Garcia Hamilton & Associates – Fixed Income – Aggregate  
John Institutional Management – Core Fixed Income  
Ryan Labs Asset Management – Core Fixed Income

Barry Bryant stated he could bring them in on May 20, 2019 from 1-4:30pm.  
Barry will also send a copy of the RFP and responses

**8. Other Business:**

Next Meeting time certain Monday March 11, 2019 1:00pm.

**9. Adjourn:**

Bob Hooper moved to adjourn. Pat Robins 2<sup>nd</sup>. Motion carries 6:0 Meeting closed 11:35am.



## **BURLINGTON EMPLOYEES' RETIREMENT SYSTEM**

**Robert Hooper**  
Chairman of the Board  
**Munir Kasti**  
Vice-Chairman

**Stephanie Harker**  
Retirement Administrator  
802-865-7097  
Dial 7-1-1 (TTY)

### **April 2019 Retiree Approval List**

<b>Name</b>	<b>Class</b>	<b>Type</b>	<b>Monthly Amount</b>	<b>Effective Date</b>
Bernard Kline	B	Disability Retirement	\$3961.10	03/14/2019



## **BURLINGTON EMPLOYEES' RETIREMENT SYSTEM**

Robert Hooper  
Chairman of the Board  
Munir Kasti  
Vice-Chairman

Stephanie Harker  
Retirement Administrator  
802-865-7097  
TTY Dial 7-1-1

TO: Retirement Board Members

FROM: Stephanie Harker

DATE: April 29, 2019

SUBJECT: Class "A and B" Refund's April 2019

Following our usual procedure, this is to notify you that checks have been processed for Class "A" or Class "B" employees who have requested a refund or rollover.

Ashley Bryce, a former Class B employee, took a refund of their retirement contributions in the gross amount of \$10,710.85.

Patrick Mulligan, a former Class B employee, took a refund of their retirement contributions in the gross amount of \$7,549.22.

Jessica Walker, a former Class B employee, took a refund of their retirement contributions in the gross amount of \$7,782.52.

Egan Clark Sheldon, a former Class B employee, took a rollover of their retirement contributions in the gross amount of \$17,334.03.

Heather Bowman, a former Class B employee, took a rollover of their retirement contributions in the gross amount of \$5,340.64.

Barrie North, a former Class A employee, took a rollover of their retirement contributions in the gross amount of \$5,793.87.

Stacy Brockmyre, a former Class B employee, took a rollover of their retirement contributions in the gross amount of \$1,068.54.

Heather Bowman, a former Class B employee, took a refund of their retirement contributions in the gross amount of \$21,217.76.



# BURLINGTON EMPLOYEES' RETIREMENT SYSTEM (BERS) 2018 EXPERIENCE STUDY

## CURRENT AND PROPOSED ACTUARIAL ASSUMPTIONS

The current actuarial assumptions used in the 2017 BERS actuarial valuation plus the proposed changes in actuarial assumptions are compared as follows:

	Current Assumption	Proposed Assumption	Comments
<b>Mortality (Non-Disabled)</b>			
<i>Class A</i>	105% of the RP-2000 Mortality Table, combined table for non-annuitants and annuitants.	RP-2014 Mortality Table, separate tables for non-annuitants and annuitants.	The proposed table is consistent with the latest study published by the Society of Actuaries (SOA) for non-disabled lives.
<i>Class B</i>	Same as Class A.	RP-2014 Mortality Table, set forward 2 years, separate tables for non-annuitants and annuitants.	An age set forward is proposed for Class B, since mortality was greater than expected.
<b>Mortality (Disabled)</b>	105% of the RP-2000 Mortality Table, combined table for non-annuitants.	RP-2014 Disabled Mortality Table.	The proposed table is consistent with the latest study published by the SOA for disabled lives.
<b>Mortality Improvement</b>	Generational projection per Scale BB.	Generational projection per Scale MP-2018.	The proposed improvement scale is consistent with the latest study published by the SOA.
<b>Retirement</b>			
<i>Class A</i>	Age-based rates from age 45 to age 60.	Service-based rates from 15 years of service to 35 years of service. In addition, compulsory retirement is assumed at age 60.	Class A retirement suggests a change to a table based on years of service, rather than age.
<i>Class B</i>	Age-based rates from age 55 to age 70.	Age-based rates from age 55 to age 75.	Class B experience indicates that members are retiring later than expected, on average.
<b>Turnover</b>			
<i>Class A</i>	Age-based rates to age 54. 0% assumed at age 55+.	Service-based rates to 9 years of service. 0% assumed at 10+ years of service.	Class A retirement suggests a change to a table based on years of service, rather than age.
<i>Class B</i>	Select and ultimate age-based rates to age 69.	Select and ultimate age-based rates to age 54. (100% of the Vaughn table prior to 2 years of service; 100% of the Vaughn Table for 3+ years of service).	A select-and-ultimate table remains appropriate for Class B; however, the current rates should be updated.

# BURLINGTON EMPLOYEES' RETIREMENT SYSTEM (BERS) 2018 EXPERIENCE STUDY

## CURRENT AND PROPOSED ACTUARIAL ASSUMPTIONS

The current actuarial assumptions used in the 2017 BERS actuarial valuation plus the proposed changes in actuarial assumptions are compared as follows:

	Current Assumption	Proposed Assumption	Comments
<b>Disability</b>	<i>Class A</i>	Age-based rates to age 54.	Experience for both Class A and Class B indicates that there were fewer disabilities than expected, and the proposed tables contain lower assumed rates of disability.
	<i>Class B</i>	Age-based rates to age 64.	See comment for Class A.
<b>Inflation</b>		3.00%.	The proposed assumption is consistent with Social Security's best estimate of the ultimate long-term (75-year horizon) annual percentage increase in CPI, as published in the 2018 OASDI Trustees Report.
<b>Cost of Living Adjustment</b>		3.00% for members retiring on or prior to July 1, 2017, and 2.75% for members retiring after July 1, 2017.	The proposed assumption is consistent with the recommended inflation assumption.
<b>Rate of Compensation Increase</b>	<i>Class A</i>	Age-based rates, grading down from 8.8% at age 25 to 3.8% at age 69+.	Plan experience for both Class A and Class B suggests a change to rates based on years of service, rather than age. The proposed tables also include an updated long-term inflation assumption of 2.60%.
	<i>Class B</i>	Same as Class A.	See comment for Class A.

# BURLINGTON EMPLOYEES' RETIREMENT SYSTEM (BERS) 2018 EXPERIENCE STUDY

## CURRENT AND PROPOSED ACTUARIAL ASSUMPTIONS

The current actuarial assumptions used in the 2017 BERS actuarial valuation plus the proposed changes in actuarial assumptions are compared as follows:

	Current Assumption	Proposed Assumption	Comments
<b>Payroll Growth</b>	3.50%.	3.00%.	We recommend a reduction in this assumption, consistent with our recommendation to lower the inflation assumption.
<b>COLA (Benefit Accrual Rate) Election</b>			
<i>Class A</i>	85% of retiring members are assumed to elect the no COLA benefit accrual rate, and 15% of retiring members are assumed to elect the full COLA benefit accrual rate.	No change.	Applies to Police members hired prior to July 1, 2006, and Fire members hired prior to January 1, 2007.
<i>Class B</i>	Same as Class A.	75% of retiring members are assumed to elect the no COLA benefit accrual rate, and 25% of retiring members are assumed to elect the full COLA benefit accrual rate.	Applies to members hired prior to July 1, 2006 (for IBEW, hired prior to May 5, 2008).
<b>Investment Return</b>	8.00%, net of investment expenses.	7.10% or lower, net of investment expenses.	The proposed assumption is based on our updated capital market assumptions (H&H Investment Advisors, 2018). However, the final assumed long-term rate of return should be selected in consultation with the plan's investment advisor.



# City of Burlington Employees Retirement Plan

## Asset Allocation Scenario Analysis

### Scenario Study Results

10 Year Scenario											
LCAP	SMID CAP	INTL	EMRG	PE	RE	TIM	INT FI	CORE FI	Mean	SD	Shp
30	18	10	10	2	8	2	20	0	10.2	10.4	0.9
30	18	10	10	2	8	2	0	20	10.5	10.4	1.0
									82.6	\$1122.8mm	\$842.3mm
									85.6	\$1189.1mm	\$890.6mm
											\$550.3mm
											\$587.7mm

20 Year Scenario											
LCAP	SMID CAP	INTL	EMRG	PE	RE	TIM	INT FI	CORE FI	Mean	SD	Shp
30	18	10	10	2	8	2	20	0	7.7	11.9	0.5
30	18	10	10	2	8	2	0	20	7.8	11.9	0.5
									43.2	\$688.8mm	\$488.1mm
									44.9	\$705.8mm	\$501.5mm
											\$296.2mm
											\$301.4mm

Projection Scenario											
LCAP	SMID CAP	INTL	EMRG	PE	RE	TIM	INT FI	CORE FI	Mean	SD	Shp
30	18	10	10	2	8	2	20	0	6.4	13.1	0.3
30	18	10	10	2	8	2	0	20	6.4	13.1	0.3
									25.9	\$525.0mm	\$358.6mm
									26.6	\$532.8mm	\$362.1mm
											\$205.0mm
											\$206.8mm

The mixes differ in their fixed income allocation. The top allocation uses Intermediate Fixed Income, while the bottom mix uses Core Fixed Income.

The chance to beat % (CTB%) is based on a 7.5% actuarial assumption.

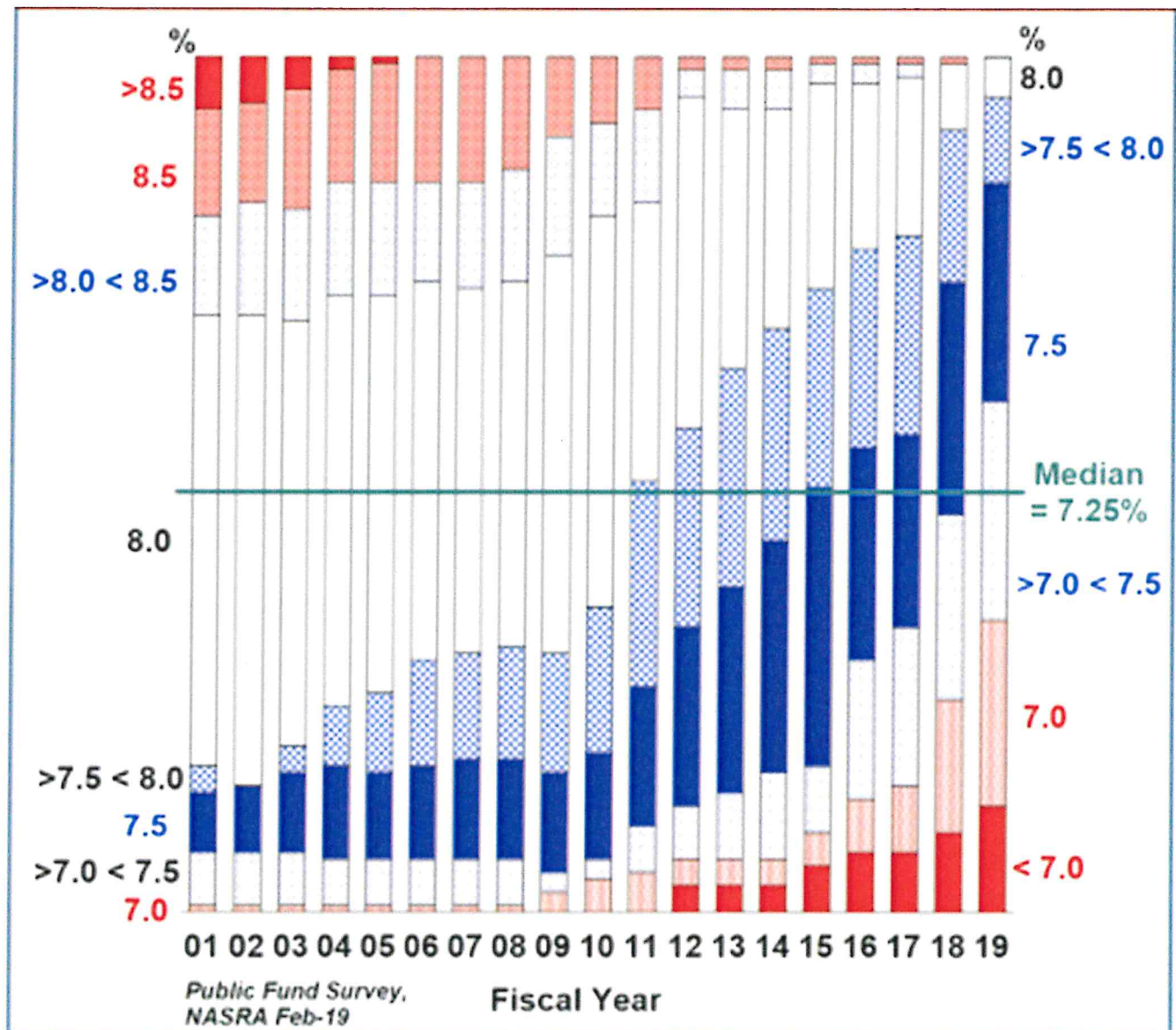
The index proxys used were: LCAP (S&P 500), SMID CAP (Russell 2500), INTL (MSCI EAFE), EMRG (MSCI Emerging Markets), PE (Cambridge Private Equity), RE (NCREIF ODCE), TIM (NCREIF Timber), INT FI (Bloomberg Barclays Intermediate Aggregate), CORE FI (Bloomberg Barclays Capital Aggregate).

City of Burlington Employees Retirement Plan  
Asset Allocation Scenario Analysis

Scenario Statistics

Scenario Name	SAP5		R2500		EAFE		MSCIEM		CAMPBE		RE		TIM		INT FI		CORE FI	
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD
10 Year	14.2	14.1	14.9	17.6	8.4	17.3	10.4	19.7	14.2	5.3	7.3	7.4	3.9	3.5	1.9	2.4	3.5	3.1
20 Year	7.0	15.8	10.6	19.5	5.7	18.2	12.0	24.3	13.1	10.2	8.8	6.4	6.5	5.0	3.8	3.3	4.6	3.4
Projection	6.7	16.9	8.0	21.3	6.8	17.5	9.1	26.4	9.5	22.9	6.2	10.0	6.0	5.3	2.7	4.3	3.0	3.7

**Change in Distribution of Public Pension Investment Return Assumptions  
FY 2001 to FY 2019**  
**From the NASRA Public Fund Survey (February 2019)**







## OFFICE OF THE CLERK/TREASURER

City of Burlington

City Hall, Room 20, 149 Church Street, Burlington, VT 05401

Voice (802) 865-7000

Fax (802) 865-7014

TTY (802) 865-7142

### MEMORANDUM

**TO:** Retirement Board

**FROM:** Beth Anderson, Chief Administrative Officer  
Rich Goodwin, Director of Financial Operations  
Stephanie Hanker, Retirement Administrator

**DATE:** April 29, 2019

**RE:** Authorization for Contracts with Hooker & Holcombe (H&H) for Pension Outsourcing, and RFP for Oversight Project Management

#### Background:

The Pension System software, used to administer pension benefits, is the backbone of our benefits operations. The system captures every member's, including active members, vested members and current retirees, history of City service and personal information, including information regarding their spouse/domestic partner, and their beneficiaries – all necessary information to ensure proper calculation and payment of their pension benefits and survivorship benefits when they are eligible. This information was previously tracked manually, and in most cases member benefit data was stored on paper recipe cards.

The City's retirement administration was technologically outdated by having no platform, a lack of user interfaces, no redundancies or backup of information for all paper copies, and no reporting capabilities. The Microsoft Access database, which was last used to house our member census information was backed up daily, but did not allow for reporting that is now required of the City. Temporary labor was used to assist in the manual process of entering all annual information for all members and to allow for backup and all other data to be stored. The risk was extremely high in the event of a natural disaster, as the files in most cases can't be reproduced. The City's in-house solution required significant manual oversight. As presented to the Board, a due to the importance of a system, a formal RFP process was initiated. Again, at the time it couldn't be over emphasized the system was primary a paper system, and put the City at great risk.

We had several goals in the implementation of a new system to include:

- 1) Cost efficiency- the goal is to implement a new solution, and reduce overall costs.
- 2) Accuracy – consolidation of member data and calculations in one pension administrative system to reduce the chance of corruption of the data and ultimately improve the accuracy of benefit calculations and timely payment:
- 3) Efficiency – to use current technology to automate processes and make staff more efficient in their work;
- 4) Customer service – to provide a level of service commensurate with other Cities with respect to the ability for members to access their individual information from the chosen software website and for the members to avail themselves of services through the web (change of address, request information, complete forms, etc.);
- 5) Security – the current technological web-based solution was required to comply with industry security standards to ensure the data is kept secure, accessible and confidential.

On October 18, 2016, we received approval to award contracts with Pension Technology Group (PTG) for Pension Administration System, and utilize LRWL, Inc. for Oversight Project Management.

The new system was successfully implemented over a period of one year, and we went live on September 01, 2017. The completion of Phase 1 implementation has positioned the City to now look at the automation of calculations, and explore and address a higher level of improved customer service.

We received feedback from LRWL and confirmed the cost of the Phase 2, which is required to automate calculations will cost a minimum of \$200,000, and require an investment of approximately 9 months – to one year.

### **Introduction:**

To address the needs of Phase 2, the Burlington Employees' Retirement System (BERS) solicited proposals for pension administration outsourcing services on October 9, 2018. The proposal was to provide state-of-the-art pension administration outsourcing services via a combination of both online tools and live support.

The outsourcing services related to its Defined Benefit Plan:

- A. Online pension administration services (member self-service); and
- B. In-person pension administration services through a Service Center capable of assisting participants with questions, forms, technology and other needs.

The deadline for RFP responses was November 20, 2018 below are the results.

### **Burlington Employees' Retirement System Defined Benefit Plan Administration Vendor Selection Recommendation**

After the completion of the development and posting of a detailed and focused Defined Benefit Plan Administration request for proposal (RFP), subsequent review of the respondent's service and cost proposal, the evaluation team's recommendation is to select Hooker & Holcombe's (H&H's) proposal.

The rationale for recommending H&H is:

- H&H was the only respondent to the posted RFP
- H&H responded to all of the requirements stated within the RFP without exceptions
- Their thorough and thoughtfully prepared RFP response demonstrated that H&H understood: BERS' Pension Benefits Administration business and needs, the nature of the procurement, scope of services, importance of service pricing and a well-defined performance and response time criteria
- Within their response, H&H clearly communicated the BERS' Pension Administration service solution, specifying its components at a detailed level and explained the BERS' scope of service rationale
- Their response and supporting documentation was organized as requested and highly professional in appearance and service content
- H&H detailed their set of well-developed proven methodologies and procedures



- H&H clearly communicated their understanding of BERS' retirement data and processes, as well as, the importance of BERS' benefit calculation requirements
- H&H recognized the importance of the implementation process by illustrating their process and timeline, and clearly addressing questions about the process.

The evaluation team's driving reasons for outsourcing our pension administration services and selecting H&H as our vendor are:

- Our ongoing commitment to providing the best service for our retirees
- H&H's higher level of service, experience and knowledge base
- Reduction in in-house administrative risks
- Streamline the Actuarial Reports required annually
- Unable to find an experienced pension administration resource driven by the complexity and number of retirement plans
- Resulting lower costs.

It is important to note, when reviewing the cost proposals for H&H, the evaluation team found that H&H was willing with negotiating waive its one time installation fee (\$48,000) in return for a 3-year contract.

Additional benefits realized once migrated to H&H outsourcing service will include:

- Allows for the elimination of PTG services and associated cost
- Allows the City an opportunity to automate the calculations without a sizeable sunk cost of \$200,000
- H&H provides more comprehensive services to our retirees than PTG
- H&H services cost less than PTG services and frees up more money
- Once transitioned to H&H, there will be the a small reduction in administrative payroll

The evaluation team realizes that implementing a new outsourced pension management system is a monumental undertaking. Since this project is expected to require advanced project management skills along with an understanding, experience and knowledge of the various systems and options, we recommend that a RFP be created in an effort to procure an experienced pension consulting firm to assist in the oversight management of the project. Additional reasons for procuring an experienced pension consulting firm are:

- Provide project support and oversight while minimizing use of BERS' staff and limiting disruption of daily ongoing operations
- Provide experienced oversight and proactive compliance with the project schedule
- Ensure risks and issues are being properly managed
- Review and track project requirements, specifications and designs fulfillment
- Facilitate development of and execution of solution system testing
- Oversee and ensure compliance with acceptance criteria
- Participate in project status meeting and offer valued experience and insight

The following pages provide a summary of the submitted H&H cost proposal.

Type of Services	Services Provided	Fee
PensionEdge® Plus	<ul style="list-style-type: none"> <li>▪ Interactive and informational website for plan administrators and participants</li> <li>▪ Provide ability for plan participants to estimate and project retirement benefits</li> <li>▪ Includes quarterly data feeds and quarterly data reconciliation</li> </ul>	\$48,000 (waived)
Benefit Outsourcing	<ul style="list-style-type: none"> <li>▪ PensionEdge® Service Center assistance for all participants</li> <li>▪ Accumulate, reconcile and maintain a comprehensive database for all participants includes maintaining data updates</li> <li>▪ Interaction with participants to process benefit calculations and set up payment including:               <ol style="list-style-type: none"> <li>1. Mail completed benefit election package to participant</li> <li>2. Answer participant questions</li> <li>3. Audit submitted forms and supporting documentation</li> <li>4. Correspond with participant until forms are complete and in good order</li> <li>5. Submit completed forms to sponsor for authorization</li> <li>6. Initiate new retiree benefit payments with custodian</li> </ol> </li> <li>▪ Assist in the set-up of surviving spouse upon death of retiree</li> <li>▪ Administer benefit payment maintenance</li> <li>▪ QDRO processing</li> <li>▪ Mailing of the following:               <ol style="list-style-type: none"> <li>1. Letters to terminated vested participants with Accrued Benefits (includes preparation)</li> <li>2. Letters to non-vested terminations (includes preparation)</li> <li>3. Annual mailing to terminated vested participants one year prior to NRD (includes preparation)</li> </ol> </li> <li>▪ Pension income verifications</li> <li>▪ Locate missing participants</li> <li>▪ Monthly benefit payment register audit and reconciliation</li> <li>▪ Retiree death audit review and action</li> <li>▪ Annual terminated vested death audit</li> </ul>	<p>\$69,300*</p> <p>On a time spent basis at hourly rates (currently \$165 per hour)</p>

Benefit Calculations	<ul style="list-style-type: none"> <li>■ Prepare final benefit calculations including optional forms of benefit and forms package</li> <li>■ Includes created of merged PDF for mailing and attaching to participant's online record</li> <li>■ Confirm participant and spousal information</li> </ul>	\$100.00 per calculation
Custodian	<ul style="list-style-type: none"> <li>■ Custody of assets</li> <li>■ Asset valuation of accessible funds</li> <li>■ Trust level statements</li> <li>■ Retiree death audit</li> <li>■ Calculation and remission of Federal and/or State taxes</li> <li>■ Check reporting</li> <li>■ Voids, stop payments, replacement checks</li> </ul>	

\*Billed hourly based on time spent, actual amount could be higher or lower. Amount was estimated assuming an average of 35 hours per month spent on the activities listed under Pension Outsourcing.

### Implementation:

- Set-up will take approximately 9-12 months after execution of agreement.
- H&H is waiving their transition fee based upon the agreement of a 3 year contract. Otherwise, a one-time transition fee for coding our systems would be \$48,000. Early termination of contract (prior to end of 3 year contract) by the City will result in pro-rated charge of transition fee.

### Other Charges:

- **Special projects:** H&H is available to assist clients with special requests or ad hoc projects. Such projects are based on hourly rates. Before beginning special or ad hoc projects, H&H will provide BERS with an estimate of anticipated project costs based on the project scope. Work would begin as soon as the estimate is approved.

The 2019 hourly rates are provided below and are subject to change annually:

- |                          |             |
|--------------------------|-------------|
| ■ Consultants/Actuaries  | \$260-\$450 |
| ■ Analysts/Technicians   | \$150-\$260 |
| ■ Support/Administrative | \$100-\$160 |
- **Educational services:** H&H's consultants and actuarial specialists are fully equipped to provide training on defined benefit topics. As a pension administration client, H&H will train the BERS staff on how to use the system, submit data/payroll. The WorkTrack feature is included in the price quote contained in the H&H proposal. H&H's Pension consultants also offer one-day on-site training or webinars on a variety of pension topics. The cost for additional pension education is \$1,500 per day which includes travel and expenses.

Additionally, H&H's investment advisory group offers on-site seminars and internet-based webinars on a variety of topics designed to help plan sponsors and committees better understand their fiduciary responsibilities. They also provide participant education sessions on a variety of topics designed to help participants better understand investment options, navigate social security and be financially prepared for retirement. Sessions are taught by highly-experienced consultants and/or education specialists, depending on content. The cost for investment advisory education is \$1,750 per day which includes travel expenses.



## Cost Analysis:

As stated above, the cost of implementation with PTG to automate calculations will cost a minimum of \$200,000, and they are unable to provide customer support. If the City elected to go this route, we would finance this amount over a five-year period. The Clerk/Treasurer's Office recommendation is to outsource pension administration to H&H, and terminate our contract with PTG. We will migrate the data from PTG to H&H that will allow for automation of calculation, and provide our active, vested and retirement participant's full customer service. There will also be a reduction in administrative payroll by approximately 25% as all calculations will be automated by the new system, and less in-house support will be required.

Below is a summary of service costs.

## Seven Year Forecast by Fiscal Year

<b>Current solution, no customer service or online tools</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>Total</b>
<b>Pension Technology Group (PTG)</b>								
Maintenance Only	\$24,000	\$24,720	\$30,000	\$30,900	\$31,827	\$32,782	\$33,765	\$207,994
Financing of Implementation Costs - Phase 1 (\$200K)			\$43,660	\$43,660	\$43,660	\$43,660	\$43,660	\$218,301
<b>Total Costs</b>	<b>\$24,000</b>	<b>\$24,720</b>	<b>\$73,660</b>	<b>\$74,560</b>	<b>\$75,487</b>	<b>\$76,442</b>	<b>\$77,425</b>	<b>\$426,295</b>

<b>Estimated Cost with Adding Online Calculations</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>Total</b>
<b>Pension Technology Group (PTG)</b>								
A) Maintenance Only - with add on Calculations	\$24,000	\$24,720	\$59,000	\$60,770	\$62,593	\$64,471	\$66,405	\$361,959
B) Financing of Implementation Costs - Phase 1			\$43,660	\$43,660	\$43,660	\$43,660	\$43,660	\$218,301
Financing of Implementation Costs - Phase 2 Data Calculations ( \$200K)		\$21,830	\$43,660	\$43,660	\$43,660	\$43,660	\$21,830	\$218,301
<b>Total Costs</b>	<b>\$24,000</b>	<b>\$46,550</b>	<b>\$146,320</b>	<b>\$148,090</b>	<b>\$149,913</b>	<b>\$151,791</b>	<b>\$131,895</b>	<b>\$798,561</b>

<b>Outsourced customer service center and online calculations</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>Total</b>
<b>Hooker and Holcombe ( H&amp;H)</b>								
C) Customer Support and maintenance	\$0	\$17,325	\$69,300	\$71,379	\$73,520	\$75,726	\$77,998	\$385,248
Pension Edge Plus		\$0	\$48,000	\$49,440	\$50,923	\$52,451	\$54,024	\$254,839
Implementation Costs(waved)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
D) Implementation Management Consultant	\$0	\$50,000	\$0	\$0	\$0	\$0	\$0	\$50,000
Financing of PTG Phase One implementation costs		\$0	\$43,660	\$43,660	\$43,660	\$43,660	\$43,660	\$218,301
<b>Total Costs</b>	<b>\$0</b>	<b>\$67,325</b>	<b>\$160,960</b>	<b>\$164,479</b>	<b>\$168,104</b>	<b>\$171,837</b>	<b>\$175,682</b>	<b>\$908,388</b>

<b>Cost full service vs. online calculations</b>	<b>\$20,775</b>	<b>\$14,640</b>	<b>\$16,389</b>	<b>\$18,190</b>	<b>\$20,046</b>	<b>\$43,787</b>	<b>\$133,827</b>
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- A) PTG provided FY 2021 projected maintenance cost to increase for calculation oversight
- B) Simple Amortization over 5 years at 3.5%. Assuming we use PTG to implement calculations
- C) Projected live date of implementation April 2020, prorated
- D) Projected management oversight to begin in April 2020

## Motions:

Board of Finance:

Based on the above, BERS respectfully requests that the Board of Finance recommend that the City Council authorize Beth Anderson, Chief Administrative Officer, to execute a contract, in substantial conformance with the bid, Hooker & Holcombe for pension outsourcing services in an amount up to \$75,000 per year, for an interim contract of 3 years, subject to review by the City Attorney.

City Council:

B BERS respectfully requests that the City Council authorize Beth Anderson, Chief Administrative Officer, to execute a contract, in substantial conformance with the bid, Hooker & Holcombe for pension outsourcing services in an amount up to \$75,000 per year, for an interim contract of 3 years, subject to review by the City Attorney.